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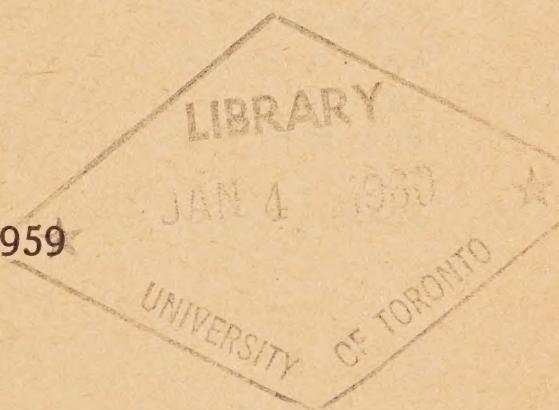
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SPECIAL COMMITTEE ON
BROADCASTING

Chairman: G. E. HALPENNY, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 6

TUESDAY, MAY 26, 1959



CANADIAN BROADCASTING CORPORATION

WITNESSES:

E. L. Bushnell, Acting President, Canadian Broadcasting Corporation;
J. P. Gilmore, Controller of Operations; and A. M. Henderson, Comptroller.

THE QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1959

SPECIAL COMMITTEE ON BROADCASTING

Chairman: G. E. Halpenny, Esq.

Vice-Chairman: J. Flynn, Esq.

and Messrs.

Miss Aitken,
R. A. Bell (*Carleton*),
Tom Bell (*Saint John-
Albert*),
Brassard (*Lapointe*),
Campeau,
Chambers,
Chown,
Dorion,
Fairfield,
Fisher,
Forgie,

Fortin,
Horner (*Jasper-Edson*),
Jung,
Kucherepa,
Lambert,
Macquarrie,
Mitchell,
Morris,
McCleave,
McGrath,
McIntosh,
McQuillan,

Nowlan,
Pickersgill,
Pratt,
Richard (*Ottawa East*),
Robichaud,
Rouleau,
Simpson,
Smith (*Calgary South*),
Smith (*Simcoe North*),
Tremblay.

J. E. O'Connor,
Clerk of the Committee.

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MINUTES OF PROCEEDINGS

TUESDAY, May 26, 1959.

The Special Committee on Broadcasting met at 11.00 a.m. this day. The Chairman, Mr. Halpenny, presided.

Members present: Miss Aitken, Messrs. Bell (*Carleton*), Campeau, Chambers, Dorion, Fairfield, Fisher, Flynn, Forgie, Fortin, Halpenny, Jung, Kucherepa, Lambert, Macquarrie, Morris, McCleave, McGrath, McQuillan, Pickersgill, Pratt, Richard (*Ottawa East*), Robichaud, Rouleau, Simpson, Smith (*Calgary South*) and Tremblay—(27).

In attendance: Mr. E. L. Bushnell, Acting President of the Canadian Broadcasting Corporation, assisted by Messrs. R. L. Dunsmore, Chairman, Finance Committee, Board of Directors; J. P. Gilmore, Controller of Operations; R. C. Fraser, Director, Public Relations; Marcel Carter, Controller of Management, Planning and Development; Charles Jennings, Controller of Broadcasting; Marcel Ouimet, Deputy Controller of Broadcasting; R. E. Keddy, Director of Organization; Barry MacDonald, Secretary, Board of Directors; J. A. Halbert, Assistant Secretary, Board of Directors; and M. Henderson, Comptroller.

Following the observation of quorum by the Chairman, Mr. Bushnell made a further statement concerning production costs and the competitive position of the Canadian Broadcasting Corporation.

Moved by Mr. Smith, seconded by Mr. Pratt, the following proposed motion, "That all costs of production of both commercial and sustaining television programs in both the English and the French networks be presented, at the earliest possible date, to the Committee for the last complete month, itemizing these costs and relating them to recoveries made from sponsors and other sources".

Messrs. Bushnell and Gilmore explained the implications of the adoption of such a motion and its ultimate effect on the Corporation's relations with sponsors.

Following further questioning of Messrs. Bushnell and Gilmore, it was agreed that the proposed motion be passed to the Sub-committee on Agenda and Procedure for consideration.

Agreed,—That a table entitled "Canadian Broadcasting Corporation Sustaining Television Programs-Representative Production Costs-1958/59 Program Season" be printed as an appendix to the record of this day's proceedings. (See Appendix "A")

Messrs. Bushnell, Gilmore and Henderson were questioned concerning details of the aforementioned table, and agreed to prepare for a future meeting of the Committee a more detailed breakdown of the costs of certain programs.

Agreed,—That the proposed motion by Mr. Rouleau, forwarded to the Sub-committee on May 19 be not proceeded with and that the Committee continue its examination of both the English and French language networks.

At 1.45 p.m. the Committee adjourned to meet again at 9.30 a.m., Thursday, May 28, 1959.

J. E. O'Connor,
Clerk of the Committee.

NOTE: *Text of the Proceedings recorded in the French language appears immediately following this day's Evidence.*

REMARQUE: *Le texte des témoignages recueillis en français figure immédiatement à la suite du compte rendu des délibérations de la séance d'aujourd'hui.*

EVIDENCE

TUESDAY, May 26, 1959.
11:00 a.m.

The CHAIRMAN: Gentlemen, we have a quorum.

Mr. PRATT: Mr. Chairman, just a small question of privilege in the record. On page 98 at lines 14 and 17, the word is "spate" and not "state". And then at line 22 cross out the three words "at the very" and replace them by the word "every". This is what I really said. Thank you, Mr. Chairman.

Mr. McCLEAVE: On a question of privilege, I would like to mention a correction of the record at page 92, a little more than half way down the page:

I think a year ago we were on a Jack Creeley Bick,—

It should be: "kick", with a small "k".

The CHAIRMAN: Is that all, Mr. McCleave?

Mr. McCLEAVE: There is a reference that was omitted in the Proceedings and Evidence which was the words "old pals act." I do not see it in the record, and I do not recall the exact place.

Mr. BELL (Carleton): Also on a question of privilege, at page 117 the last statement on that page is one attributed to me, but is one for which I am sure I cannot take credit.

The CHAIRMAN: You are not the author? Does anybody here know who made that statement if Mr. Bell did not?

The question is:

May I ask a question, Mr. Chairman? I am not saying that I personally feel that this word should be spread around; but is there not a great deal of validity in the fact that certain members of the press gallery have as great scope—and even as expert knowledge—as members of parliament; and therefore it would be impossible to get away from the fact that they would have these extra qualities and would, therefore, be more in demand than others?

Mr. SMITH (Calgary South): May I suggest, in view of the statement of Mr. Bell, you describe it as "an hon. member"?

The CHAIRMAN: Thank you very much, that is a good solution.

As arranged last week, we will begin with the C.B.C. television programming costs and revenues, which is appendix A, page 133 of our printed proceedings. Mr. Bushnell has a short opening statement relative to these notes. Mr. Bushnell, please?

Mr. ERNEST BUSHNELL (Vice President, Canadian Broadcasting Corporation): Mr. Chairman, may I begin by saying it would appear the emphasis in earlier meetings of the committee on the subject of the C.B.C.'s commercial operations suggests the need for a further statement by the corporation about

its negotiations with sponsors and advertising agencies. This need has been highly-lighted by press comment which indicates that the corporation's position in its business dealings is not clearly understood.

Coincident with the development of Canadian talent and the production of Canadian television programs, the corporation makes every effort to enlist the support of Canadian advertisers and to have them sponsor Canadian productions. It has had considerable success in this direction. However, in such efforts it faces a two-fold problem: (a) the size of the Canadian sponsor's budget; there is a limit to the amount of money advertisers can make available for television.

May I comment, at this stage? This morning I checked with certain specialists in the advertising field, with the dominion bureau of statistics and others, and, as I had supposed, there are not more than 15, at the outside, 15 commercial organizations, commercial firms, let me put it, in Canada who can spend in advertising, in all the media, over \$2 million annually. The figure actually is probably less than 15.

Mr. SMITH (*Calgary South*): What is the source of that information?

Mr. BUSHNELL: The source of the information is from trade papers, the dominion bureau of statistics and, I think, from some advertising agencies.

And then (b) the economics of television are such that live TV production is inherently expensive; program material on film, or direct from United States networks, is substantially cheaper to the Canadian advertiser than live Canadian programs of comparable quality.

In its development of Canadian production, C.B.C. tries, as a matter of policy, to create as wide a variety of programs as possible. The production cost of some is relatively low; some are in the middle range; while others are quite expensive. What C.B.C. endeavours to obtain is sponsorship of the broadest possible range of live programs—and the continuation of such sponsorship on a long-term basis.

In conducting its negotiations the C.B.C. deals with advertisers and their agencies on as uniform a basis as can possibly be arrived at. But it must be remembered that separate sponsorship arrangements have to be made for each program—and that no two situations are exactly alike.

In negotiating for the sponsorship of Canadian produced programs, the corporation frequently finds itself involved with a group of advertisers who are competing vigorously with each other in everything they do. In addition to the competition that exists between sponsors, there is often very keen competition among the many advertising agencies who are negotiating with C.B.C. on behalf of their various clients. In this situation, the corporation conducts its business dealings in what it feels is a fair and business-like manner. Each program available for sponsorship is dealt with on an individual and highly confidential basis. We do not disclose to one sponsor the details of our negotiations with another—nor do we discuss with an advertising agency anything pertaining to the advertising plans or advertising expenditures of any company other than the clients of that agency.

To adopt any other course would, we feel, be unfair to sponsors. It would we feel, in fact, be a breach of business ethics. But there is more to it than that. It would be prejudicial to the interests of the corporation itself. On the one hand, every advertiser endeavours—and properly so—to obtain the maximum in advertising value for the lowest possible expenditure. Sponsors and their agencies do everything they can to keep costs to a minimum. The C.B.C. on its part, strives for every dollar of commercial revenue it can obtain. In every case it drives the hardest bargain it can.

If it is to continue to do that, the corporation must continue the practice of conducting its sales negotiations confidentially. Its position *vis-a-vis*

advertisers and agencies, and its future dealings with them, would be seriously impaired if the terms and conditions of its sales arrangements were a matter of public knowledge.

That, Mr. Chairman, is my statement.

Mr. SMITH (*Calgary South*): Mr. Chairman, I wonder if I could raise a point? When the question of these costs was initially brought up I mentioned, at that time, that I would like to receive certain information from Mr. Bushnell, from the corporation, and, in all fairness to him he provided almost exactly the information for which I had asked. But I stated at that time it may not be satisfactory, depending, of course, on a number of circumstances, to which I will make some reference.

Mr. Bushnell has just made another statement, and has, at this time, brought into it the position of the advertiser, and, in particular, the advertising agencies.

I am going to read a very short excerpt of what has been their official position, which was given to the royal commission.

Before doing that, I want to make it clear, Mr. Chairman, the point I am endeavouring to establish. This committee, if it is going to be successful, among its many areas of examination is going to have to determine, foremost, in what direction we are going with relation to costs and the expenditure of the taxpayers' money. Secondly, are we receiving value for the money the taxpayer is paying for the production?

I do not propose personally to become involved in determining whether one program is better than another, but I do feel the question of the costs must be foremost in our minds. In the statement we have been given by Mr. Bushnell it begins in relation to these costs, that perhaps the best that can be said of it is that of the ten examples the C.B.C. loses on eight of them.

The CHAIRMAN: That is on page 132 of our printed proceedings, gentlemen.

Mr. SMITH (*Calgary South*): Of these eight the amount that was lost is around \$50,000.

Mr. Bushnell goes on to say, in his report, as a justification of this, that based on their discussion with the advertiser and with the agent, the amount that is being charged against these productions is more than likely all the traffic will bear. The complaints of the respective advertiser indicates this. Quite obviously, I suggest to you, no advertiser, when approached by a sales executive, is going to say that he is happy with the price or wishes to pay more.

Obviously, his reaction is going to be, as it has always been in business, that the costs are too high.

These figures are useful purely to show us the need for a further examination of the costs in relation to the C.B.C. operation, and this is only one facet of costs I wish to examine, but it is an important one.

We have listened at some length to the suggestion that this would place, if we discuss these costs in some detail—place them in the position of identifying the companies. Then it would be said this would put the C.B.C., as a corporation, in an unfair competitive position, and it would also open the question as to the business practice between competitive companies, in that they also would be discriminated against; and it is said that this would disclose information which it was not in their interest to have disclosed.

We have been making comparisons all along of comparable situations in other countries; and, perhaps, Mr. Bushnell does not consider this is comparable. But I draw to the attention of the committee that in the United States—he refers quite often to trade publications—there is published exactly the information that we are asking for in this committee.

This information is published in trade publications which are open for anyone to see at any time, if they have the price of a quarter. They show the cost of these shows as a gross figure; cost in relation to average shows; and cost, including talent and production charges. These are costs which include the 15 per cent agent's commission.

The CHAIRMAN: Is that what the advertiser pays?

Mr. SMITH (*Calgary South*): I am reading right now from "Sponsor", which is a weekly trade publication on TV and radio that the advertisers use.

Mr. McCLEAVE: Mr. Chairman, the same material will also be found in "Broadcast", the business weekly television and radio, and Television Management Bagazine of Broadcast Advertising.

Mr. SMITH (*Calgary South*): I would like to make a final point. We have, in my view, got to receive a complete disclosure of the costs of operation of the corporation to determine whether or not this money is being spent in the best interest of the public of Canada.

We have got to determine what percentage of these costs are being subsidized by the taxpayer, in so far as the corporation pays a proportion of these various productions. We must determine whether or not we are receiving anything like the value the C.B.C. says we are receiving. We must determine whether or not the statement contained in Mr. Bushnell's initial statement and his subsequent remarks are based on fact or pure opinion.

I suggest the only way we can do that, if we are to fulfil our duty as members of this committee, is to ask for a complete disclosure. I am, therefore, going to move—but perhaps before I do that, let me read this, because Mr. Bushnell, after all, raised the question of advertising and agency costs.

The cost of producing live shows in Canada is not yet justified by the commercial return. The C.B.C. have sought to meet this by offering Canadian produced network shows at very substantial network discounts, designed to use the full amount of the advertising dollar as far as it will go. They encourage support of this policy by offering separate but related inducements to particular advertisers. They discourage and impede it by refusing to disclose the real costs, by denying the advertiser or agency any effective or audible voice in the production or personnel of the shows and by rejecting any financial advantages that could be gained by competition. In the result the advertiser has no assurance that he is getting what he is paying for and is restricted to supporting only that talent which is recruited by the C.B.C.

So, I maintain that the argument that the advertiser would object to this being opened up from a competitive standpoint—

The CHAIRMAN: Once again, you are quoting from what?

Mr. SMITH (*Calgary South*): I am quoting from the brief of the Association of Canadian Advertisers, presented to the recent Royal Commission on Broadcasting.

The CHAIRMAN: Thank you.

Mr. SMITH (*Calgary South*): Therefore, my argument is that the suggestion that the companies concerned, who have been paying for these productions, resent having this information made public is hardly valid, and that the people who carry on the contractual work for them made a protest of this nature.

Therefore, sir, I am going to move—and you may refer it to the steering committee, if you feel it is necessary—that all costs of production of both commercial and sustaining TV programs in both the English and French networks be presented, at the earliest possible date, to the Committee for the

last complete month, itemizing these costs and relating them to recoveries made from sponsors and other sources.

Mr. PRATT: I second that motion.

Mr. Chairman, in addition even if the C.B.C. wishes to maintain the confidence it has with the commercial sponsors, I see no difference between that and disclosing the costs of the program.

The CHAIRMAN: Any further discussion on the motion?

Mr. PICKERSGILL: Mr. Chairman, just before the motion is put; I wonder if the committee would object to hearing what Mr. Bushnell's comment is?

The CHAIRMAN: Yes, I think in all fairness to Mr. Bushnell and his associates, he should complete his statement, and then we will put the motion.

Mr. BUSHNELL: There is one thing I would like to make clear, and that is the question of costs. What the advertisers mean actually in that statement that was made to the Fowler commission is this, that they believe the C.B.C. is charging them for costs which should not be a part, any part, if you like, of the burden they have to bear.

In our costs,—the figures that have been given to you, gentlemen,—are included, not just talent charges, not just script charges, but we charge for everything. The studios are rented. We pay rental to ourselves for sustaining programs and when we allow—not “allow” an advertiser but, indeed, we invite him to use our studios, to use our mobile equipment, to use our cameras, or anything like that—then there is a charge included; and the amount that the advertiser is paying is a certain proportion of the total cost. We are dealing with a cost accounting basis; and, I think, quite properly. That is businesslike as far as I can see it.

All right. Those costs are in there. Now then, as a matter of fact, on top of that administrative costs are charged, the president's salary is charged, part of my salary is charged, part of our administrative set-up is charged, if the program originates in Toronto, and those charges are put in there. That makes these costs look abnormally high.

The CHAIRMAN: Is that not so with the N.B.C., the C.B.S. and A.B.C., in their method of cost accounting?

Mr. BUSHNELL: They probably do, but I know of certain cases, and I could not disagree with Mr. Smith on the point that these figures are published, but I would like to have it confirmed that the figures that are published are actually the figures or, at least, the amounts that are paid by sponsors. Because I happen to know this, that in many instances the American networks defray a part of the costs of programs; but there is a reason for that. In the United States they have a very large population, and they have 100-odd stations on their networks. They have standard rates, and when all that is added up they have a very substantial profit, if you like, from the sale of network time, and on their owned and operated station time, and so on.

There is not any question in the world about it, that in many, many instances the American networks—if we like to use that word “subsidy”—are subsidizing American advertising.

I can give you an illustration. Here, not long ago, a two-hour program—I think it was called “Meet me in St. Louis”—was put on by N.B.C. It was a spectacular. The production cost of that program was well over half a million dollars. If there is one advertiser in the United States who can pay anything like half a million dollars for that show, I would like to know who he is.

Mr. SMITH (Calgary South): There is a difference. You say American stations are subsidizing American advertising. That may well be true, and we have, for example, from this record a clear statement that the C.B.C. is

also subsidizing Canadian advertisers; but the difference is this, that this is being done with public funds, and, surely, we are entitled to know to what extent.

Mr. BUSHNELL: Let me turn the coin over and put it to you this way: Would you agree actually, instead of the C.B.C. subsidizing advertisers, advertisers to some extent, are subsidizing the C.B.C.?

Mr. FISHER: No.

Mr. BUSHNELL: Why not?

The CHAIRMAN: Mr. Fisher?

Mr. FISHER: I would like to ask Mr. Smith a question. I want to ask him, what was the effect of this presentation in so far as recommendations that came out of the Fowler commission are concerned?

We are considering a motion that is largely based upon a statement that Mr. Smith read.

Mr. SMITH (*Calgary South*): That is not correct. That statement, Mr. Chairman, so I may help out Mr. Fisher—and he apparently needs helping out—the fact is that this information was only read into the record because Mr. Bushnell's own statement mentioned they had enlisted the support of the Canadian advertiser. I am stating that where there is any argument it is based on the fact there would be some objections from the sponsor himself. The people who negotiate this business on behalf of the sponsor—namely, the Canadian advertising agents—have raised this objection, and that is why it is relevant.

Mr. FISHER: What did the Fowler commission recommend with regard to it?

Mr. SMITH (*Calgary South*): You have had an opportunity to read the report of the Fowler commission as well as I have had, Mr. Fisher.

The CHAIRMAN: Mr. Fisher, we are not questioning Mr. Smith; he is not a witness.

Mr. PRATT: There is some truth in what Mr. Bushnell has said. The sponsors, to some extent, are helping to subsidize, and it is quite obvious that both sponsors and the public are sharing the cost of these programs. But at least the sponsor knows how much he is paying and how much he is getting; and the public does not. Mr. Bushnell is to be complimented for fulfilling his responsibility to the sponsors; but the responsibility of this committee is first and foremost to the public.

The CHAIRMAN: Mr. Bell?

Mr. BELL (*Carleton*): I would like Mr. Bushnell to come directly to what, to me, is the issue, and then I am going to make up my mind as to how far it is important. It is a fact that in the United States with regard to any figures that have been produced there has been apparently, on the part of the advertiser, no objection at all to the production of this information, or on the part of the sponsors. If that be true in the United States, then what conceivable objection is there to the production of that information in Canada? That is an issue upon which I am going to make up my mind. I was impressed by Mr. Bushnell's initial statement, but the moment these were produced it seemed to cut the feet out from under everything Mr. Bushnell said.

Mr. BUSHNELL: I think the difference is this, Mr. Bell: as I have tried to explain to you the networks do make a profit on the sale of time. The advertisers in the United States apparently do not have any serious objection. Statements are made that P. & G. as a matter of fact, is spending \$9 million, Colgate-Palmolive \$7 million on television, and so on. But it has been our experience in the past that advertisers and advertising agencies in Canada have asked us not to disclose these figures on many, many occasions.

There is one other point I should like to make—

Mr. BELL (Carleton): Why would there be so much difference between the United States and Canada?

Mr. SMITH (Calgary South): How do you reconcile this?

Mr. BUSHNELL: I suggest actually you might well ask a representative of the A.C.A. or C.A.A.A. I cannot tell you that.

Mr. PRATT: Mr. Chairman, when Mr. Bushnell says "these figures", does he mean the cost to the sponsor or the cost of the program?

Mr. BUSHNELL: I think the cost of the program has been given to you, Mr. Pratt.

Mr. PRATT: In appendix A we have a very brief and, I think, a rather ridiculous list of costs. I think we need the identities and a proper breakdown of the costs.

Mr. FORTIN: Mr. Bushnell mentioned that part of the salary of the president, the rental of cameras, studios, and so on are included in the cost there. I would like to know in what proportion, in what percentage?

Mr. BUSHNELL: Mr. Chairman, I think a great deal of light could be brought to bear on this question if Mr. Gilmore—who has a statement to make and figures to put with the statement—might be allowed to do so at this time.

I do not want to hold up your motion, but I think it is only fair you should have the information we have prepared for you, which may help.

Mr. FORTIN: That will help us to find out if we are satisfied with the figures you are giving us.

Mr. BUSHNELL: Yes, that is right.

The CHAIRMAN: How long is your statement, Mr. Gilmore?

Mr. J. P. GILMORE (Controller of Operations, Canadian Broadcasting Corporation): Mr. Chairman, what I propose—

Mr. PICKERSGILL: I have a question I think I would like to put before this statement is read.

The CHAIRMAN: Mr. McGrath had a question before you, Mr. Pickersgill.

Mr. MCGRATH: I would like a little further clarification because, to my mind, this whole question revolves around Mr. Bushnell's statement that it is based on cost accounting.

The question I have is related to capital expenditure. I presume this system of cost accounting is carried over into your capital expenditure. This is not necessarily related to commercial programs, but to capital expenditure, and it has to do with this system of cost accounting.

I would like to refer to the hearing of the board of broadcast governors on March 16, 17 and 18. I would like to refer to pages 609 and 610 of the verbatim transcript of that hearing, to a statement by Mr. Bushnell to the Committee.

The statement in part reads:

May I also remind you of the fact that when the C.B.C. puts in its estimate it is also on a cost accounting basis. Part of my salary and even the office boy's salary is included in it, so that the figures are on a cost accounting basis and may seem somewhat higher to you than those of a private applicant.

Further on in the same transcript, at pages 617 and 618, there is an exchange of questions between the chairman of the board of broadcast governors and the C.B.C. official with regard to capital expenditure in Kenora, Ontario:

Dr. STEWART: What about the cost of installation?

Mr. RICHARDSON (of the C.B.C.): Kenora, \$95,000 capital.

Dr. STEWART: Is that cost accounting or straight capital?

Mr. RICHARDSON: "Straight capital."

Now I would like to have a clarification of that, because, to my mind, that is a contradiction.

Mr. BUSHNELL: Well, Mr. McGrath, it may be a slight contradiction; it might appear as such. But let me assure you of this; the way that question was put, as I understand it, was that Dr. Stewart was asking what the cost of installation would be. Incorporated in that cost, obviously, would be certain engineering charges, certain administration charges, and a number of other similar things. There is no doubt about it that this \$95,000 is not only for the transmitter and the transmitter house, or whatever is going in there.

The CHAIRMAN: Mr. Pickersgill?

Mr. PICKERSGILL: My question is coming back to this motion, Mr. Chairman. Mr. Bell said that he would make up his mind largely on the question of whether a satisfactory answer could be given to the question of whether the advertisers were concerned. I could not care less what the advertisers do about this. What I am interested in is whether the public interest would be injured by the disclosure of that information.

Mr. BELL (Carleton): That information was never—

Mr. PICKERSGILL: Perhaps Mr. Bell would allow me to finish. I did not interrupt him.

The only ground I can see for our not accepting Mr. Smith's motion—and I must say that he put up some powerful arguments for it today—is that which is used with the C.N.R. and other crown corporations since, that they would weaken their competitive position by disclosing information. Otherwise we should have the information.

I think we ought to have a statement from the officials of the C.B.C. as to precisely how this would weaken their competitive position; precisely in what respect.

The CHAIRMAN: We have already had that, have we not, Mr. Pickersgill?

Mr. PICKERSGILL: In view of the evidence produced by Mr. Smith just now I am not at all satisfied with the mere statement that is their opinion. I think that statement must be fortified by facts. That is to say, they would have to tell us how it would work out mechanically if this happened.

I can see what they try to do when they try to put on a program and conceal its cost, because an advertiser has to try and match competitively the highest bid they can get for it. This may be an answer to the question of how it is going to injure the C.B.C., injure their capacity to get more revenue out of advertising; and that is the only basis on which I could make up my mind, if that was made clear.

The CHAIRMAN: Mr. Smith, and then Mr. Lambert.

Mr. SMITH (Calgary South): Perhaps Mr. Bushnell would like to deal with the two questions together, or would you like to reply to Mr. Pickersgill now?

Mr. BUSHNELL: I can reply to Mr. Pickersgill this way: To us it is very simple. Let us take two competing companies. For example, in the electrical appliances field—or let us take the motor car field, the food field, the cigarette field—any one of them.

We go to the advertiser and say, "Here is a Canadian program of such and such a type, which we are prepared to produce, and to produce at such and such an hour." Let us say on Sunday night, Monday night or any night in the

week. That is fine. That advertiser then says to us, "How much is this going to cost?" We tell him what the costs are going to be, and he says, "We cannot afford it." We say, "Thank you very much, we will go to your competitor and see if he can afford it."

If we disclose those figures publicly we are going to be in a very difficult selling position in the future. I can assure you of this. I have been in the advertising field 25 years. I am familiar with the policies of advertising agencies, I have been manager of a private station and I know something about this. I know something about the complexities and difficulties of selling; and I have never known any situation more difficult or more complex than that which has developed since the advent of television.

The simple fact of the matter is that these programs which carry the advertising are C.B.C. programs, and we have residual rights. Some of these programs, as was mentioned the other day, are sold to the B.B.C., the Australian Broadcasting Commission, and some to the United States. They are programs we own, and we get money back. As a matter of fact, we take the advertising message out of the sponsored shows and send them over to England or the United States, where they can be used a second time; and we make money on that. That is another consideration: we hold what we call residual rights. They are our programs and not the advertiser's program; they are C.B.C. programs.

Mr. PICKERSGILL: I wonder if I can put this to Mr. Bushnell? I must say that I still think I have not quite made my point.

What it seems to me is, why is disclosure of the cost of production of these programs—which, I presume, is what Mr. Bushnell meant that he does not wish to disclose—why is that going to weaken your position as between one advertiser and another? After all, it is only competition that is going to determine that.

Mr. PRATT: That is exactly the question I asked a few moments ago.

Mr. SMITH (*Calgary South*): Mr. Bushnell said that he will reply to both questions, Mr. Pickersgill. He said that many times the sponsor and the advertising agency do come to you and ask you not to disclose the cost of these various productions. That is what you said, is it not, Mr. Bushnell?

Mr. BUSHNELL: That is correct.

Mr. SMITH (*Calgary South*): Mr. Bushnell, you are familiar with the association of Canadian advertisers?

Mr. BUSHNELL: Indeed I am.

Mr. SMITH (*Calgary South*): You were probably a member of it at one time?

Mr. BUSHNELL: No.

Mr. SMITH (*Calgary South*): Let us then put it this way: they know something about the field of advertising, and represent quite a number of advertisers. How, then, do we reconcile your statement, in which you are making a case that the sponsor does not want to have this disclosed, and yet such a large body which negotiates the costs with the sponsor, between the C.B.C. and the sponsor, say this in their brief:

In the result the advertiser has no assurance that he is getting what he is paying for and is restricted to supporting only that talent which is recruited by the C.B.C.

The first portion of that statement, I suggest, is very relevant to what we are discussing.

Mr. BUSHNELL: I suggest it is, too. But what do they mean when they say they do not know what they are getting? They get a breakdown; they know what the costs are; and they can come to us at any time and ask what

they are. My point is they do not want it disclosed. At that particular time, the Canadian advertisers were fighting to get control of the C.B.C. package programs.

Mr. PRATT: Am I right in understanding that the sponsors can get the figures?

Mr. BUSHNELL: Yes, the sponsors get them individually; but we are not going to give to Mr. Chrysler what General Motors spent; but, certainly, General Motors knows what the costs are.

Mr. PRATT: And the public is denied this privilege? This is amazing!

The CHAIRMAN: Mr. Gilmore, will you continue with your statement?

Mr. GILMORE: I am not clear whether this document has been tabled yet in the committee.

Mr. BUSHNELL: It is the C.B.C. television program cost and revenues.

The CHAIRMAN: It is appendix A, page 131 of the printed proceedings.

Mr. GILMORE: The statement I wish to make is attached to this. Firstly, I would like to say to Mr. Flynn's question of the other day, we have this morning deposited with the Clerk of the Committee the sustaining programs costs, French and English.

The CHAIRMAN: Thank you. They will be distributed later.

Mr. GILMORE: May I read this statement, Mr. Chairman?

Mr. SMITH (*Calgary South*): Are there copies of this statement available, Mr. Chairman?

Mr. BUSHNELL: I believe they were tabled, Mr. Chairman.

Mr. GILMORE: This is the document to which you have the current cost attached.

CBC Television Program Cost and Revenue Notes

The attached tabulations provide examples of typical program costs for ten programs seen during the month of January 1959 as part of the English language television network service.

On the revenue side, the main items are the sale of time and the program package charge. It should be noted in connection with revenues that the broadcasting industry has as its main commodity on-air time. Time is sold in the form of spot announcements and in the form of periods occupied by programs. In the examples given in the attached sheet, program time is represented by revenue to CBC and private affiliated TV stations.

The CHAIRMAN: Is it your intention to read this statement? I think every member of the committee has already read it. I thought you had some supplementary remarks to make regarding that statement.

Mr. GILMORE: Yes, and I wanted to pull them out.

The CHAIRMAN: All right.

Mr. GILMORE: I think that particularly is an important point to note, that the broadcast industry does not fundamentally sell programs. The broadcast industry sells as its main commodity, time.

I would like to introduce at this time a reference to our annual report for 1957-58 where a brief breakdown is shown of the part of our revenue which comes from time, and the part which comes from commercial package program contributions.

Sixty-three per cent of our revenue as shown in the statement of income and expenditures for 1957-58 in the annual report comes from the sale of time in the form of spot announcements and station time; and 27 per cent comes from package contributions from sponsors; while the balance is made up of inter-connection charges and charges for commercial messages on programs for which we charge, as we produce them in the live programs.

It must be remembered that the time occupied by these programs is time of the national TV network service which, by definition of the corporation's objectives, is to be programmed, along with all other service hours, to give a balanced and varied program fare. In seeking and obtaining participation of commercial sponsors in sharing the costs of these programs, the objectives are to provide clients with a vehicle for their commercial messages in one of the most effective impact media yet devised by man, while at the same time reducing the costs of these programs to the Canadian public.

I might say that I would like at this time to go back in time to the start of television. When the corporation started television in the fall of 1952 in this country, we studied various ways in which we could obtain sponsorship and still, under the direction of parliament, produce our own schedule, produce our own planned schedule of Canadian content.

The first plan that came to our attention was the one which is now favoured pretty much in the United Kingdom by commercial television, and that was the concept of producing a schedule and selling slots for commercial announcements which were not in any way related to the program. This was rejected pretty fully, and I think Mr. Bushnell will bear me out in that. It was rejected pretty fully by the people whom we met in the advertising fraternity and who were our prospective clients.

The next step we took was one which we implemented, and that was the placing a time charge on the station time which was large enough to cover the whole program cost. We did no commercial business worth going forward with on this basis because the advertisers and the advertising agencies would not participate in this sort of time charge.

We then came back to the approach which is pretty well, that of the United States networks and which is our current approach, and that is our station charges, and our charge for facilities for the program package. That is a little background of the way in which this thing is operated. As Mr. Bushnell said, it has been dictated largely because of the position in another area, that of program control.

In the United States the costs which are quoted in the trade magazines are, many times, not the costs to the network at all. They are the costs to the advertising agency, or the packager whose chief business it is to package programs for sale to clients; and as a subsidiary action, he buys time on the network to show that program.

That is the fundamental difference between the Canadian broadcaster and the American broadcaster; and I suggest, sir, that in this field also, there is one fundamental difference, and that is, that the network concerned is able to charge an advertiser a station time which is more than ten times the station time rates that can be charged in Canada for the equivalent time. Because, where there are 44 million television receiving sets in the United States, covered by the American television network, there are just over 3,200,000 in Canada. That is the reason our station time cannot be as high as we would like to make it in order to charge for our main commodity, and in order to make a profit.

Mr. PRATT: I think we realize in this committee that it is very difficult in a country the size of Canada with its small population to produce live television at a profit. It is almost impossible. Our question is to find whether or not the loss is worth the money.

Mr. BUSHNELL: May I ask Mr. Pratt another question. If it is not worth the money, would you suggest that the C.B.C. get out of commercial business?

Mr. SMITH (*Calgary South*): That has not been suggested.

Mr. BUSHNELL: We are operating at a loss.

The CHAIRMAN: Please continue.

Mr. GILMORE: Furthermore, commercial contributions to program production costs enable the CBC to improve the quality of these and other programs and, in fact, may enable the corporation to develop other service programming which would otherwise represent too high a cost.

Now a word about rates and program costs. If, as in the United States, our Canadian population was sufficiently dense to justify a high-enough time charge for CBC and private stations, then a possible profit could result from these commercial operations. It should be noted that time charges are based on the population covered by a given station. This fact is best illustrated, probably, if we recall that it requires some fifty television stations and over 4,000 miles of microwave network connections to achieve the population coverage in Canada which, in the United States or the United Kingdom, is attained with one station in New York or London.

The same commercial principles are applied in Canadian television program sales as are used in the United States. However, where there is a loss incurred in program production charges for major productions by United States networks, the station time charges more than make up for such losses.

As to the question of whether the CBS's commercial operations are not resulting in a high-enough charge to the advertiser, it is abundantly clear to our commercial sales people through sales resistance and from the definite statements of the Association of Canadian Advertisers and the Canadian Advertising Agencies Association to the Fowler Commission that our revenue is just about what the market will bear. They have complained about the high cost of television.

Mr. PRATT: I am merely trying to find out what programs are worth a loss, and I do not see why these facts should be kept from this committee.

The CHAIRMAN: Please continue, Mr. Gilmore.

Mr. GILMORE: I would like to continue with this statement:

Television is indeed an expensive medium. This is a well-known fact to C.B.C. program planning people and to the people who have developed television programming in this country. All the elements of the theatre, broadcasting, and the motion picture industries are combined here in the production of a varying program fare from hour to hour, from day to day, and from year to year. It might be of interest to take a quick look, however, at the program costs in Canada in comparison with those in the United States program apart from the examples given in the attached sheets, a category analysis will show that, for 90-minute dramas, the average United States program cost is \$135,000, whereas the C.B.C. cost is under \$42,000. In the hour drama category, the comparison is \$81,000 for United States productions and approximately \$29,000 for Canadian.

I would like to introduce a quotation from the president of the Columbia Broadcasting System which I think would be of interest to the committee. This quotation is taken from "Network Practices", a memorandum supplementing statement of Frank Stanton, president, Columbia Broadcasting System Incorporated, and it was prepared for the Senate Committee on Inter-State and Foreign Commerce by the Columbia Broadcasting System Incorporated.

The quotation reads as follows:

In 1955, the loss for commercially sponsored programs alone was in excess of \$7.1 million without any allocation of general overhead such as selling and administrative expense . . . It is estimated by C.B.S. accountants that an additional \$4.5 million in overhead expenses is attributable to program production. In total, sustaining programs and the loss on the sale of commercial programs cost more than \$22 million in 1955.

I would like to comment on the U.S. program costs which are published and from which we have quoted here, and which have been quoted in this committee. We have tried on several occasions to pin down a direct comparison between these costs and the ones which we quote. I would like to emphasize that the costs which we quote, as Mr. Bushnell described them, are over-all costs including overhead.

You will notice that approximately 67 per cent of the overhead in the table attached is what we call administrative overhead, and it is the over-all departmental cost of a national production; whereas the cost we are able to obtain from the U.S. industry publications are very broad averages, and we cannot determine whether administrative overhead is included in them, or if so to what extent. We suffer from this comparison, because we have been asked to make an internal check on our efficiency as compared to that of the networks efficiency, and after all we can only compare ourselves with equivalent network operations in the United States. So I just give you this information in checking these costs.

According to the comparison \$81,000 is for United States production and approximately \$29,000 for Canadian; that is in our dramatic category, and for just our dramatic production. The American average is \$41,400, and this compares with a Canadian average of \$11,350.

Mr. PRATT: This is largely irrelevant to the motion which was to reveal Canadian costs.

The CHAIRMAN: I realize that, Mr. Pratt, but the statement is practically over.

Mr. GILMORE: Yes.

The CHAIRMAN: I thought we should go along with his statement, and then put the motion.

Mr. GILMORE: I will eliminate the question of the other costs.

The CHAIRMAN: Please do.

Mr. GILMORE: To summarize then, it would be correct to state the objectives of C.B.C. programming and sales people in the television production field is to produce a good schedule and to sell, at the best price possible, such of these productions as are available for sponsorship while at the same time maintaining the quality of the programs and as low a cost as possible.

The CHAIRMAN: Thank you, Mr. Gilmore.

Mr. BUSHNELL: I have one statement in answer to Mr. Pickersgill's question. In my statement I said that I firmly believe it would be prejudicial to the interests of the corporation itself, and if it is detrimental to the interests of the corporation it is detrimental to the interests of the public of Canada.

Let me enlarge on that: that if by disclosing these figures the C.B.C. is going to lose a \$2 million contract, it is quite conceivable then, I think, that it would be prejudicial to the interests of the C.B.C. and to the public at large.

Mr. SMITH (*Calgary South*): You said you would lose a \$2 million contract as a result of disclosing this. How would you lose that?

Mr. BUSHNELL: Time after time we have been asked not to disclose these figures publicly.

Mr. SMITH (*Calgary South*): Is there any evidence whatsoever to support that contention?

Mr. BUSHNELL: I cannot say that I have any evidence in writing, but I am informed by our sales force that such is the case.

Mr. SMITH (*Calgary South*): You would anticipate the sales force in trying to contract a sponsor saying that conceivably his costs might be increased. Now, if you were a sponsor, what do you think your reaction would

be? Would you complain? Is it not human nature that they would show some resentment at increased costs?

Mr. BUSHNELL: Certainly, there is no question but that they would complain and they certainly have complained. But we are regarded as about the toughest bargainers in the country. Let me give you an illustration.

I am going to put it to you in the form of a question, if I may do so, if it is proper, Mr. Chairman, for me to ask advice of this committee: what would you do in a situation like this: where an advertiser comes along and he is one of the biggest advertisers in the country. He says: "Mr. C.B.C., this year I want to spend a very large proportion of my advertising budget in television. Now, I have diversified products. Furthermore I recognize the fact that I must cover the two basic areas in this country. My total appropriation for this medium of television is, approximately—I shall use a round figure—\$2 million. For \$2 million here is what I want: I am quite prepared to pay a very substantial proportion of the cost of a Canadian origination, but coupled with that, however, is this: that because of my diversified products, I must have other time on your network; I must have time to advertise the different products that I specialize in.

Now, I want to bring in a program from the United States which my parent company pays for. I pay a very small proportion for the rights, the talent and so forth; and on top of that, I want to bring in an American film which my parent company has bought, and which costs me nothing."

What is your answer going to be when he says: "Gentlemen, I have \$2½ million to spend, and I want to spend it. I am prepared to pay you a certain proportion of the cost or what I think is a fair proportion of the cost of this Canadian origination; and I am prepared to pay so much to you for 52 weeks in the year."

What would you do? Would you take it?

Mr. SMITH (*Calgary South*): Were I taxpayer, I would ask you this: we recognize, as most of us have in sitting on this committee, that it is going to be a difficult thing to make commercial productions profitable. But if I were the taxpayers, or having to subsidize this particular sponsor to whom you referred, I would like to know first of all by what extent, or to what degree, or how long it will take, or on what basis—I would like to know if I were the taxpayers putting up their money, what I was getting in quality.

We keep talking about the quality of these productions and relating them to the cost which the sponsor has to pay for them; and before I would be in a position to answer your question I would like to know in what direction the C.B.C. was going, and on what basis or decision they have this flexibility to make these deals with various corporations.

It is conceivable, if human nature is as I think it is—and I am not suggesting any ulterior motives—that we may have a selection here which is not in any way related to the over-all costs, between the actual costs of the show and what the sponsor pays for it; and until we get a clarification of what this means, we do not know in what direction we are going, or whether we are getting quality. That is the reason for the motion.

Mr. MCGRATH: I want to deal with this matter by saying that there are certain advertisers in this country who cannot afford to do without television advertising; and since there is only one television network in Canada, I suggest that no matter how you look at it, the C.B.C. has the edge.

Mr. BUSHNELL: I have used that edge to good advantage. It has been a pretty sharp edge on occasion.

Mr. TREMBLAY (*Interpretation*): Mr. Chairman, I listened with a great deal of interest this morning to what Mr. Bushnell was telling us in order to

justify his opposition to giving us the information which we require and which we asked for I think that up until now, as he has told us, he has not satisfied us inasmuch as he has used a hypothetical argument rather than precise facts. In particular, when he tells us that the sponsors of various C.B.C. programs will probably contemplate the possibility of closing their commercial relations, or bringing to an end their commercial relations with the C.B.C. if they produce these figures, or disclose them, I would like to know what this is in actual fact, really, concretely speaking. I would like an indication of this possible attitude of the sponsor.

Mr. Chairman, before hearing from Mr. Bushnell, concerning what I was just speaking about, I would like first to recall a few of the principles involved in this matter. The other day I said—and I wish to reiterate, Mr. Chairman—that a parliamentary committee is entitled to receive information on the administration of the C.B.C. This committee is entitled to receive such information because it brings together representatives of the people. We are, so to speak, the bookkeepers of the people.

This must not be forgotten; it is a fact which must not be overlooked. Mr. Bushnell spoke just now of the commercial aspect of the C.B.C. I want to indicate that this commercial aspect, this commercial side of the C.B.C., exists only because the C.B.C. was set up by an act which was voted into being by the representatives of the people and that it is empowered to have commercial relationship and to have commercial status only because the representatives of the people wanted it that way.

It is as representatives of the people that we can ask for this information because of the very facts which I have just mentioned. We wish to know what is happening in such and such a way, but we want to know what is the relationship between the cost of production and the quality of the program. We do not ask for these figures just simply for the purpose of conducting a moral inquiry, or to put the cost upon any particular people. What we want to know is what the programs are worth when they are paid for by the taxpayers, and we want specifically to know what part is paid for by the sponsors, and what part is paid for by the taxpayers.

I would like to add that we shall also ask for information on non-sponsored programs, and as I said the other day, the figures received do not give this information. Yet this is an important factor. So I would like to say that what we would want to know specifically is, in terms of the program, what the costs are so that we may know whether to continue or to maintain such a program.

The CHAIRMAN: Mr. Dorion.

Mr. DORION: (*Interpretation*) Mr. Chairman, along the same general line, and in order to obtain detailed information, perhaps Mr. Bushnell would be good enough to tell me if he can, if engagements or commitments have been made regarding publicity agencies, or sponsors by contract in such a way that the amounts they may have to pay for programs may not be divulged anywhere? I would like, for example, very much, to see, if possible, the form of contract so that I might examine it.

Mr. BUSHNELL: That can be provided. We would be very happy, but it would not be filled in, of course.

Mr. McCLEAVE: My question is supplementary to this main question. Are we dealing with anything more than an ethical problem here? In the past it has been decided not to prejudice one advertiser as against another by revealing the figures. In fact, non-prejudice was created by concealing the cost of these programs. Now the committee has asked—or it may ask that all these factors be brought into the open so that the advertisers would know

their relationship to each other. But is it anything more than an ethical problem?

Mr. BUSHNELL: I grant you that it is largely an ethical problem, but we consider it a little more than an ethical problem in that we feel it would be prejudicial to the best interests of the corporation to do it. I want to make one thing clear: the only reason in the world, and there is no other reason—why we hesitate to make these figures public is because of this whole competitive situation.

May I remind you, gentlemen, through you, Mr. Chairman, that the Fowler Commission has taken a look at all our operations. We have an internal audit and we have an audit by the Auditor General, and nowhere will you find—I am not mentioning this because you suggested it—but I want to make it clear there is no reason other than the reasons I have mentioned; there is no moral factor, there is nothing of that kind that has ever been suggested. I want to make that clear. I do not want to leave any doubt in anybody's mind.

Mr. CHAMBERS: We are not suggesting that. I would like to go one point further and say that for my part, I am making no suggestion, and I do not think anyone else here is either. But when that procedure is recommended by the Massey and the Fowler Commissions, that it should be continued by turning over sections of your time to advertising—this committee might possibly make a recommendation that instead of following the procedure that is now being followed—and as brought out in these figures which have been given to the committee on independent negotiations with each advertiser, it does seem to me to leave the possibility of inequitable treatment, and that one company is getting more of the public money than another.

We might recommend some fixed figure on sponsored programs because of distances and other matters which have been brought up—that one fixed percentage of the cost of a sponsored program should be borne by the corporation, and that the percentage should be the same for all advertisers.

It is open for us to formulate such a recommendation in our report from details and information.

Mr. ROBICHAUD: I realize that we have had this morning an elaborate and detailed discussion on the important motion which was introduced by Mr. Smith. It is a motion which really deserves very serious consideration because it involves not only the public interest but it also involves the policy of a national organization such as the C.B.C.; and if I am in order I move that Mr. Smith's motion be referred to the steering committee for decision.

The CHAIRMAN: There is already a motion before the committee.

Mr. SMITH (*Calgary South*): I think I should make it clear that in my initial statement I said I would be happy to move the motion or, if you wished, to have it referred to the steering committee. I think in fairness to the members of the committee I would be quite happy to have it referred so that the documents could be examined by all of us, or by a representative group of all parties. I think Mr. Robichaud's motion is a good one. I am agreeable to the suggestion that the motion be referred to your steering committee and that the decision of your steering committee be then made known to the general committee after a complete assessment of the evidence we have heard today.

The CHAIRMAN: Is that agreeable to you, Mr. Pratt?

Mr. PRATT: Yes, I think we can assume that regardless of whether the sponsor is a satisfied sponsor or vice versa, nevertheless, both the public and the sponsor are partners in this problem. We find ourselves in an anomalous position of one partner having all the facts and the other partner, the public, being kept in the dark.

I do not think we can continue to ask the Canadian public to go on paying for a pig in a poke. I go along with Mr. Smith's suggestion.

Mr. McCLEAVE: I would accept Mr. Robichaud's suggestion if he would use the words "for recommendation" instead of "for decision" of the steering committee.

Mr. FISHER: On the question of information, Mr. Bushnell, is this type of information available to people like Mr. Dunsmore, who is on your board of directors?

Mr. BUSHNELL: Definitely.

Mr. FISHER: Is this information available to the Board of Broadcast Governors?

Mr. BUSHNELL: If the Board of Broadcast Governors so decided, I imagine the C.B.C. would comply. This policy was started in 1938 when similar questions were asked by a parliamentary committee. Now I put it to you, gentlemen, that the policy has been adhered to since 1938 up to the present time. It was a policy established by the board of governors who were the former board. Now we have a new board of directors and, quite frankly, motion or no motion, I am not empowered to give you that information without reference to that new board of directors.

Mr. FISHER: I would like to make a motion, since other people have been making motions. If we have set up a Board of Broadcast Governors, and if we have a new board of directors who are supposed to be looking after this sort of thing, and if the main purpose of this committee is to examine the new broadcast legislation, and how it comes about, it seems to me that we are really in a blind alley in this particular motion.

Mr. PRATT: It seems to me that the information should be given to this committee even if the steering committee decides it should be given in camera, because this is the senior committee.

Mr. SMITH (*Calgary South*): The question of cost is still a vital factor to this committee when we are spending the taxpayer's money.

The CHAIRMAN: Is it agreed that this motion be referred to the steering committee for a recommendation?

Agreed.

Mr. BUSHNELL: I think it might follow as a sort of natural sequence, were we to receive the costs which have been asked for of the non-commercial programs; I mean a breakdown of them.

Mr. GILMORE: May I draw to your attention that we can provide a breakdown similar to this for the commercial exhibit already filed. This sustaining breakdown is quite extensive, and we can provide a similar breakdown for the commercial programs under the other exhibit.

The CHAIRMAN: Thank you, copies of the table on sustaining programs are being distributed now.

Mr. CHAMBERS: I have some questions on another area.

The CHAIRMAN: We had better deal with this first.

Mr. BUSHNELL: We are prepared to answer this morning if we have the time. It might throw some light on the other questions.

Mr. PRATT: These figures are for 39 weeks, in which period?

Mr. GILMORE: These are average costs, representative costs of individual programs, but not for the total series of programs.

The CHAIRMAN: What do you mean by "representative production costs" of one program?

Mr. GILMORE: Yes, one program.

Mr. PRATT: We have Folio's artists' fees \$69,637. What period does that cover?

Mr. GILMORE: That is one program outlined there, Peter Grimes. We were asked for the highest and lowest of the Folio series, and you will see they are on page 2.

The CHAIRMAN: A Boy Growing Up and Peter Grimes.

Mr. McCLEAVE: A Boy Growing Up did not have quite the appetite of Peter Grimes.

The CHAIRMAN: No, he was growing up.

Mr. GILMORE: In Peter Grimes there were many artists and the matter of long rehearsals.

The CHAIRMAN: Are there any questions on these figures?

Mr. BELL (Carleton): Is it not intended that at some time these should be sponsored programs?

Mr. BUSHNELL: Mr. Bell, that again is a matter of policy. The corporation has reserved certain periods for non-commercial programs, and I may say this, that at the present time our board of directors is giving consideration to the possibility of changing that policy. What the ultimate position will be, I cannot say.

Mr. BELL (Carleton): My point in respect of it, Mr. Bushnell, is that you did not hesitate in revealing actual costs of programs here which are now sustaining, and yet, at some future stage, you might wish to have them on a commercial basis. Would this not interfere with your so doing?

Mr. BUSHNELL: Not necessarily so. I am afraid I cannot agree with you on that.

Mr. McGRATH: Just as an illustration, or for an example, getting back to the statement of Mr. Bushnell that costs are based on a cost accounting basis—and I presume that this holds true to the cost of the sustaining programs—in the case of the C.B.C. Folio program, Peter Grimes, where we have a grand total of \$147,376, would it not be possible to have a breakdown of how this cost was arrived at?

Mr. BUSHNELL: Yes.

Mr. McGRATH: As to exactly what percentage of the operating cost of the corporation, as a whole, was incorporated into this cost.

Mr. BUSHNELL: Yes, they are pretty much there, but we can break it down quite easily into the most minute detail.

Mr. McGRATH: I want to get the method of this cost accounting.

Mr. GILMORE: In the case in point, may I draw to your attention, sir, that under administration overhead, \$8,456, that represents the cost which was mentioned.

The CHAIRMAN: That is right. Then we will have the breakdown of these two shows, Peter Grimes and A Boy Growing Up.

Mr. BUSHNELL: A further breakdown.

Mr. JUNG: You have in part answered my question. I was disturbed about the column which is shown as "other costs". For example, the program Explorations, which is on the first page, the artists' fees are \$1,132, other costs, \$4,002. I wonder if we could have some other information as to what "other costs" might include?

Mr. GILMORE: Mr. Chairman, to answer the question, "other costs" is a grouping which is not identifiable in any of the three preceding headings. "Other costs" embraces, basically, film costs and this varies widely between programs. You will have one Explorations program which has no film at all,

and another one which is probably 85 per cent film, shot over four or five weeks' time, then it is edited and so on. That we put in under "other costs".

Another example of this, one of the most important elements of "other costs" in the case of Explorations, is that on one program they bring in part of the program from Winnipeg, and the program is being produced in Toronto. This is brought in on what is called a closed circuit. In other words, the feed from Winnipeg to Toronto is not being broadcast as it is brought in but as it goes back out on another network. That is the closed circuit, and that comes under "other costs".

The CHAIRMAN: Have we permission to print this as an appendix? (See appendix A).

Agreed.

Mr. TREMBLAY: (*Interpretation*) Mr. Chairman, I have a few questions regarding Teletheatre, appearing on page 1. It is said that \$6,554 were earmarked for artists. Will it be possible to know what was this Teletheatre, indicated here, costing \$38,449, and how many artists took part?

Mr. GILMORE: Yes.

The CHAIRMAN: We can procure that breakdown. Any other questions, Mr. Tremblay?

Mr. FORTIN: There is one thing I want to know to help me to understand. I want to know if these are figures for one production.

The CHAIRMAN: That is right, for one production.

Mr. FLYNN: Not an average.

Mr. FORTIN: On page 2 there is \$700 for the commentator, because he is alone on that program. Every week he gets \$700?

Mr. BUSHNELL: I am afraid, Mr. Fortin, I cannot answer that.

Mr. GILMORE: In this case it is not a single program.

The CHAIRMAN: I think this should be drawn out. Can you give us additional information next week, Mr. Gilmore, as to whether it is one program or a series of five programs, or for the whole 39 weeks.

Mr. FORTIN: For how many programs?

The CHAIRMAN: You had one other question Mr. Tremblay?

Mr. TREMBLAY: (*Interpretation*) To complete the information which was required by Mr. Fortin, may I ask how many artists are involved in the program Point de Mire, and under the heading "Artists"? Do they include producers or just correspondents and so on?

Mr. TREMBLAY: (*continuing in English*) In other words, who is the Point de Mire?

Mr. TREMBLAY: (*Interpretation*) In other words, where is the bull's eye?

Mr. PRATT: I think this is typical of the kind of information we are trying to find, not only on the sustaining but also on the commercial programs.

I would like to ask one question, Mr. Chairman. How is that "administrative overhead" obtained in comparison to "total costs".

Mr. BUSHNELL: I think Mr. Henderson is sitting in the back of the room.

The CHAIRMAN: Would you like to answer that question, Mr. Henderson?

Mr. A. M. HENDERSON (*Comptroller, Canadian Broadcasting Corporation*): I did not hear that.

The CHAIRMAN: Then Mr. Pratt will repeat his question.

Mr. PRATT: I was asking how you obtain the administrative overhead in comparison to the entire cost. Is it entirely separate, or a percentage, or rule-of-thumb, or what?

Mr. HENDERSON: It represents a distribution of the over-all administrative overhead against the products we are turning out, namely, our programs. It is applied along orthodox lines to each program. We take our possible costs in the administration area, and we relate them to the product we are turning out, of which this is a sample, and we arrive at a percentage.

Mr. PRATT: Some shows might have a higher administrative cost than others, in proportion to their total cost?

Mr. HENDERSON: You reach a percentage, Mr. Pratt, and you apply that percentage on the costs up to that point.

Mr. McCLEAVE: May I ask a supplementary question here?

Mr. PRATT: In this case it is running about seven per cent.

Mr. McCLEAVE: In all the English shows the administrative overhead is a little over six per cent, and in all the French-Canadian shows the administrative overhead is a little over seven per cent. I have worked them out, and it is obviously over six per cent in the English and over seven per cent in the French.

The CHAIRMAN: Would you come up here, to the front please, Mr. Henderson, so that we can all hear you?

Mr. HENDERSON: Mr. Chairman, the generally accepted practice in applying overhead is to take the total cost that is represents and to spread that cost on a percentage basis against the products you make, whether in this case they are the tailor-made, the custom-made programs which we are turning out here, in the volume Mr. Gilmore has indicated, or whatever your product is.

Mr. PRATT: May I bring one or two more specific ones to your attention? "Mr. Fix It" on page one, a total cost of \$1,257, has an overhead of \$76; whereas a little further down we have "La Messe", for approximately the same total cost—within \$3—\$1,260, and an administrative overhead cost of \$92, which is a great deal higher than the \$76. How do you explain that?

Mr. HENDERSON: I would have to check the specific figures on this list before I could answer that.

Mr. BUSHNELL: I think I can answer it. I think it is rather simple. It would depend largely on the time consumed in the production of each of these programs.

Mr. PRATT: I hope, Mr. Bushnell, I am asking simple questions.

Mr. BUSHNELL: I am giving very simple answers, or trying to.

The CHAIRMAN: We are a very friendly group.

Mr. BUSHNELL: In the case of "Mr. Fix It" it might be that he prepares most of his material at home and gets in touch with the producer and says, "This is what I intend to do," and then he comes into the studio, let us say, the day of the program, and everything is all ready to go. He may consume, let us say, eight or ten hours, alltold.

In the case of the other programs, where there is a very slight difference actually, it might well be and sometimes is that the other program, "La Messe", takes a little more time to prepare.

I do not think you can compare one program with another in precise terms.

Mr. PRATT: I was not suggesting that you change your methods, by any means, but was merely trying to elicit the fact it is not as exact a science as I suspected.

Mr. McCLEAVE: I think Mr. Bushnell's answer is completely on the wrong track. If he will look at the figures he will find that for every English program the administrative overhead is a little more than six per cent of the

costs, and if he looks at the French programs he will find in every case it is a little bit more than seven per cent, so it is an exact science in this case. They have taken, I do not know how much for administrative overheads, and they are passing it on to each particular show on a percentage basis.

Mr. BUSHNELL: Mr. McCleave, may I ask your permission to take another look at that? I am qualified to give you the information as to what comprises the difference between the six and seven per cent.

The CHAIRMAN: I was going to suggest that Mr. Henderson bring in a breakdown of these two shows, based on the administrative overhead part, the \$76 and \$92, and let us then compare them and see if some formula is used.

Mr. LAMBERT: With a little bit of arithmetic it can be calculated. I think if you apply your 6.06 per cent to the English programs you come right on the nose.

Mr. MORRIS: I want to ask an accounting question, probably of Mr. Henderson, possibly of Mr. Gilmore. The total costs, is this under the direct control of the producer in each program?

Mr. GILMORE: Yes, it is.

Mr. MORRIS: Do you budget a certain amount for each show and—

Mr. BUSHNELL: Well—

Mr. MORRIS: You are about to say "No". But do you budget a certain amount and place it at the discretionary control of the producer, and then add the administrative overhead?

Mr. BUSHNELL: Under supervision, that is substantially true, but I think however, probably your question, Mr. Morris, will be answered when we get into Mr. Chamber's question as to the organization point—that we have to control expenditures and so on.

The CHAIRMAN: That is taken into consideration in a TV production?

Mr. BUSHNELL: Yes.

Mr. MORRIS: I am not asking about programming, but about the accounting procedure. You do set up a budgetary figure per show?

Mr. BUSHNELL: Yes, that is right.

Mr. MORRIS: And then place it in the hands of someone in a supervised discretionary capacity. Then you add this administrative overhead at headquarters.

Mr. BUSHNELL: That is correct.

Mr. McGRATH: I wanted to ask Mr. Bushnell: in relation to sustaining programs with a fairly substantial budget—if I may refer again to the "Folio" program, "Peter Grimes", for illustration—this would be a special production, I would take it. Is there any effort or is any attempt made to measure the audience, to have an audience count on these programs?

Mr. BUSHNELL: Yes, very definitely.

Mr. McGRATH: Would it be possible in the case of the program in question to get the audience count on it?

The CHAIRMAN: That is on "Peter Grimes" and "A Boy Growing Up". Do you want a comparison?

Mr. McGRATH: Not a comparison of figures, but an audience count of the program "Peter Grimes".

Mr. BUSHNELL: There is this one possible difficulty. I cannot tell you which week these surveys were made. This might not fall into the week on which "Peter Grimes" was produced.

Mr. MCGRATH: That is the basis of my question, sir, right there. The fact it is a special production with a fairly substantial budget, surely it would make sense there would be an audience count on this particular program; in other words, to justify the expense, if you like. What is the point of putting on an extravaganza if it is not going to be reviewed? That is my point in asking for the audience count with regard to this specific program.

Mr. BUSHNELL: We will certainly try to supply that information for you.

Mr. FISHER: On this question of audience rating, I tried to find out some information through a question placed on the order paper, and I was given no information, I gathered, because the C.B.C. only gets ratings for the first week in the month, usually; and I was just wondering how you correlate the ratings you do get with what Mr. McGrath was talking about, the expenditures you put forward.

Mr. BUSHNELL: I am not sure, Mr. Fisher, there is any direct correlation. But let me suggest this to you, that the period in which "Peter Grimes" was broadcast, under the title of "Folio", is pretty well known. It comes on at a certain time during the week, and almost any "Folio" program will give you a very large audience, quite surprisingly large. I think it would be safe to say that "Peter Grimes" probably had as big an audience as many of the others scheduled in that particular series.

Mr. FISHER: That is the point I wanted to bring out.

The CHAIRMAN: Mr. Tremblay and then Mr. Fortin; and then we will have to adjourn after that.

Mr. TREMBLAY (*Interpretation*): Mr. Chairman, following up and to complete my question of a short while ago regarding this program which we are shown on page one, that is, Teletheatre, I would like to ask regarding the section on design, staging, and so on. We have a figure of \$17,519. I would like to ask how much was paid for this Teletheatre? How much was paid in terms—I mean, how much was paid; who was the designer of the scenery; who was the designer of the costumes; who was the supplier of the material for the costumes and the scenery, and who was responsible for signing the invoices on behalf of the C.B.C.?

I would like to ask how many people took part in this work regarding scenery and the costumes?

Mr. BUSHNELL: We would be very happy to try to give you a breakdown of the number of people who were involved in this, and the amount of material involved, and the manhours involved. Once again, I hope I do not create the feeling that I am being too reluctant to answer questions; but I think the answer for the most part, as far as I know, would be that it was C.B.C. employees, and I would ask you not to ask me for individual names. I have a very good reason for it.

The CHAIRMAN: We agreed to keep personalities out of this at the beginning at our first meeting, as far as names go.

Mr. LAMBERT: If Mr. Bushnell does not wish to give us particular names, we would like to know how many there were.

Mr. BUSHNELL: You are quite welcome to it.

The CHAIRMAN: He agreed to supply us with the number.

Mr. PRATT: On a question of privilege, at page 82 of the evidence, line 25, the words "could well afford", should read "can ill afford".

Mr. FORTIN: I would like to ask Mr. Bushnell if his producer is given full authority to spend whatever amount of money he feels necessary for a production, or is he given a certain amount with which he must produce his show?

Mr. BUSHNELL: He is given a certain amount for which he must produce his show, and he must stay within it.

Mr. FORTIN: But suppose he does not.

Mr. BUSNELL: I will tell you what happens if he does not.

Mr. PRATT: He goes on strike?

Mr. BUSHNELL: No, he is told when he gets his next show that he had better pare the amount for his overexpenditure off that, or we will find somebody else who can stay within the limits.

The CHAIRMAN: We must close. We have a notice of motion from Mr. Guy Rouleau. It was a suggestion that we might have a French sub-committee, but it was recommended that we take this to the steering committee, and it was agreed in the steering committee that due to the fact that all the people in Canada—like each member of this committee—are interested in what is happening in French Canada, therefore we should continue with our French interpreter. Is that satisfactory?

Agreed.

I expect that the steering committee will meet this afternoon in my office at 3.30.

The next regular meeting of this committee will be on Thursday morning at 9.30.

THE FOLLOWING IS THE TEXT OF THAT PART OF THE
COMMITTEE'S PROCEEDINGS CONDUCTED IN
THE FRENCH LANGUAGE

ON TROUVERA CI-DESSOUS LE TEXTE DE LA PARTIE DES DÉLIBÉRATIONS
DU COMITÉ QUI S'EST DÉROULÉE EN FRANÇAIS

M. TREMBLAY: Monsieur le président, j'ai écouté ce matin avec beaucoup d'intérêt ce que M. Bushnell nous a dit pour justifier son opposition à fournir les renseignements que nous demandons. Je pense que, jusqu'à présent, ce qu'il a dit ne nous satisfait pas parce qu'il s'est plutôt appuyé sur des hypothèses que sur des faits précis. En particulier, lorsqu'il nous a dit que les commanditaires des programmes, des divers programmes à Radio-Canada, envisageraient probablement l'éventualité d'une rupture de relations commerciales avec la Société si l'on produisait ces chiffres; je serais très intéressé à savoir, à connaître, enfin, quelles ont été pratiquement et concrètement les manifestations de cette attitude possible des commanditaires. Avant d'entendre M. Bushnell, je voudrais rappeler certains principes qui sont mis en cause ici. Je l'ai dit l'autre jour, je le répète aujourd'hui, le comité parlementaire a le droit d'obtenir des renseignements sur l'administration de la société Radio-Canada. Ce comité a le droit d'obtenir ces renseignements parce qu'il réunit des représentants du peuple qui sont comptables au peuple, il ne faut pas l'oublier. Et, justement, M. Bushnell faisait tout à l'heure allusion à l'aspect commercial de la Société Radio-Canada. Je tiens à faire remarquer que cet aspect commercial de la Société n'existe que parce que la Société a été constituée par une loi votée par les représentants du peuple et elle n'est habilitée à entretenir des relations commerciales, à maintenir un statut commercial que parce que les représentants du peuple l'ont bien voulu. Et c'est précisément à titre de représentant du peuple que nous demandons ces renseignements, parce que, eh bien, il est beau de dire que les choses se passent de telle ou de telle façon, mais nous voulons savoir quelle est la relation entre le coût de production d'un programme et sa qualité. Nous ne demandons pas des chiffres simplement dans le but de poursuivre une enquête pour, enfin, laisser peser des soupçons sur celui-ci ou celui-là; ce n'est pas cela. Nous voulons savoir ce que valent les programmes que les contribuables paient pour une part et ce que nous voulons précisément, c'est connaître quelle est la part payée par les commanditaires dans certains programmes commandités et la part payée par les contribuables. De la même façon, nous demanderons des renseignements sur des programmes non commandités, parce que, comme je le faisais remarquer l'autre jour, les chiffres qui nous ont été fournis ne donnent pas ces indications. C'est, en pratique, essayer de nous vendre un cheval sans nous le montrer. Nous voulons savoir, dans le cas précis d'un programme, ce qu'il a coûté avant de voir si nous devons continuer à maintenir ce programme.

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M. DORION: Monsieur le président, dans le même ordre d'idée et pour obtenir plus de précision, peut-être que M. Bushnell pourrait-il nous dire si des engagements ont été pris à l'endroit des agences de publicité ou des commanditaires par contrat à l'effet que le coût des programmes, la part qu'ils ont à payer pour l'exécution d'un programme, ne serait pas dévoilé nulle part? A cette fin, pour ma part, je serais très heureux d'avoir un exemplaire d'une formule de contrat afin de pouvoir l'examiner.

M. TREMBLAY: Monsieur le président, je désire poser quelques questions concernant le téléthéâtre indiqué ici en première page. On y indique un montant de \$6,554 comme cachet des artistes; serait-il possible de savoir quel était ce téléthéâtre qui est indiqué ici et qui a coûté, au total, \$38,449, et combien d'artistes y ont participé?

* * * * *

Q. Page 2...

M. TREMBLAY: Je voudrais aussi savoir, pour compléter ces renseignements que désire obtenir M. Fortin, combien il y a d'artistes à ce programme "Point de mire". Est-ce que, sous la rubrique "artistes", on tient compte du réalisateur ou s'il s'agit simplement des participants, du commentateur et des figurants?

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M. TREMBLAY: Monsieur le président, pour compléter la question que j'ai posée tout à l'heure concernant le téléthéâtre indiqué ici à la première page, on a, sous la rubrique intitulée "Design & Staging", etc., le montant de \$17,519. Serait-il possible de savoir combien on a payé dans le cas particulier du téléthéâtre qui est indiqué ici, combien on a payé pour les décors et les costumes; quel a été le dessinateur des décors; quels étaient les dessinateurs des costumes; quel était le fournisseur du matériel et qui a signé les factures comme responsable, à titre de responsable de la Société Radio-Canada?

J'ajoute une autre question. Combien de personnes ont participé au travail du décor et des costumes?

APPENDIX "A"

CANADIAN BROADCASTING CORPORATION SUSTAINING TELEVISION PROGRAMS
REPRESENTATIVE PRODUCTION COSTS 1958/59 PROGRAM SEASON

Programs	Artists Fees	Technical Services	Design and Staging	Other Costs	Total Costs	Administration overhead	Grand Total
	\$	\$	\$	\$	\$	\$	\$
Citizen's Forum.....	285	817	453	291	1,846	112	1,958
Téléthéâtre.....	6,554	6,980	17,519	4,789	35,842	2,607	38,449
Fighting Words.....	440	217	384	574	1,615	98	1,713
Chansons canadiennes.....	2,597	1,240	2,601	908	7,346	534	7,880
Scan.....	165	549	368	576	1,658	101	1,759
Fon Fon.....	910	462	711	429	2,512	183	2,695
Country Calendar.....	777	563	1,033	553	2,926	178	3,104
Demain dimanche.....	1,710	1,324	2,674	827	6,535	475	7,010
Mr. Fix It.....	250	391	318	298	1,257	76	1,333
Heure du concert.....	13,221	6,084	14,046	2,950	36,301	2,640	38,941
P. M. Party.....	1,310	683	1,320	303	3,616	220	3,836
Il était une fois.....	400	239	415	344	1,398	102	1,500
Explorations.....	1,132	1,504	2,162	4,002	8,800	536	9,336
La Messe.....	75	1,008	—	177	1,260	92	1,352
Close Up.....	5,548	2,781	539	4,654	13,522	823	14,345
CF-RCK.....	2,668	1,712	4,127	2,189	10,696	778	11,474
Folio—(Peter Grimes).....	69,637	16,651	40,485	12,147	138,920	8,456	147,376
Reportage.....	250	1,898	62	1,221	3,431	250	3,681
Folio—(A Boy Growing Up).....	3,925	2,611	3,003	1,843	11,382	693	12,075
Point de mire.....	700	351	563	1,076	2,690	196	2,886
Whistletown.....	447	577	1,071	2,181	4,276	260	4,536

May 25, 1959.



